Internal Revenue Service
MEMORANDUM

CC:DOM:IT&A:01
FranceR   TR-45-2517-94

date: 3/17/95

from: E. Leon Kennedy, Deputy Assistant Chief Counsel
          Income Tax & Accounting

  to: Ronald S. Rhodes, Executive Director
          Service Center Compliance

subject: Batch Matching of Taxpayer Identification Numbers

        This responds to your memorandum of December 16, 1994,
requesting our opinion on whether private and public sector filers
of information returns may match the name and Taxpayer
Identification Numbers (TINs) of their payees against those
contained in our data base under the authority of either § 3406,
§ 6050M, or other section of the Internal Revenue Code. If the
Service lacks the authority under the Code, you ask for advice on
how you may, nonetheless, implement your batch matching program.
Based upon your memorandum, we understand that the filers wish to
match their complete data base, i.e., both pre-existing as well as
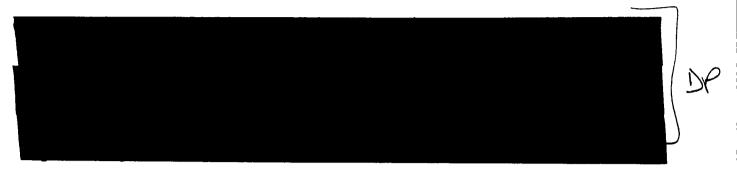any newly opened accounts.

        Section 6103 prohibits the disclosure of return information
(a payee's name and TIN constitute return information) except as
specifically authorized under § 6103.   Section 6103 permits
disclosure of this return information if authorized under § 3406.

        Section 3406(a)(1)(B), to implement backup withholding when
a name and TIN combination appear incorrect, permits the Service
to inform a filer that a return it filed contained an incorrect
name and TIN combination for a payee.   Thus, § 3406(a)(1)(B)
contemplates the disclosure of TIN information after the filing of
a return, not before, as envisioned under your proposed batch
matching program.

        Section 3406(i) provides authority for the Secretary to
prescribe regulations as may be necessary or appropriate to carry
out the purposes of the backup withholding provisions. At your
office's request, under the authority of § 3406(i), the Service
issued § 35a.3406-3 to provide for a TIN matching program which,
upon request by a payor, would allow the Service in prescribed
circumstances to notify the payor that a TIN does not match the
Service's records. This permits the payor to attempt to obtain a
correct TIN before the filing of the related information return.

Mr. Ronald S. Rhodes

CC:
Mike Frosch, CC:EL